

CITIES AND TOWNS BULLETIN

AND UNIFORM COMPLIANCE GUIDELINES

ISSUED BY STATE BOARD OF ACCOUNTS

March 2000

APRIL AND JUNE TRAINING SCHOOLS

The Indiana League of Municipal Clerks and Treasurers' (ILMCT) Annual Conference will be held April 9, 10, 11, 12 and 13, 2000, at the Sheraton Hotel on the Northeast side of Indianapolis. The State Board of Accounts and State Board of Tax Commissioners will again be conducting a one-day accounting and budgeting school on Wednesday, April 12, which would be a State-called meeting day.

The State Board of Accounts Annual School for City Clerks, City Controllers, and City and Town Clerk-Treasurers will be held June 7 and 8, 2000, at the Marriott East Hotel, Indianapolis, Indiana.

Please mark these dates on your calendar. Explanatory letters along with tentative agendas will be mailed prior to these two events.

LEASE PURCHASE AGREEMENTS

The State Board of Accounts is of the audit position that in purchasing a computer or any other equipment from public funds, the appropriate purchasing authority of a city or town has the right to enter into a rental with option to purchase agreement if the rental charge is fair and reasonable.

However, before such an agreement is entered into, there must be a sufficient appropriation balance available for payment of the current year's rental charge. The agreement should not obligate the city or town for payment of rental beyond the current year's appropriation. Provision may be made in the agreement for renewal for succeeding years by rental payments subject to appropriations being available.

If the original gross cost of the equipment (without consideration of any trade-in) exceeds seventy-five thousand dollars (\$75,000), the purchasing agency must comply with the "Public Purchases Law", IC 5-22 (certain exceptions exist), by advertising for the bids and by awarding with reasonable promptness by written notice a contract to the lowest responsible and responsive bidder. Only by awarding a contract pursuant to IC 5-22 would the city or town have authority to purchase the equipment at a later date. A lease-purchase agreement will often contain an option to purchase at the end of the lease term for nominal consideration or no additional consideration.

The specifications for the equipment must be recognized standard specifications to allow competitive bidding and should provide for the bidder to quote the total purchase cost, the rental charge to be made, and the percentage of the amount of the rental charge that will be credited toward the purchase cost should the city or town exercise the option to purchase. Any interest or carrying charges must be made a part of the original bid price without specific reference made thereto.

Compliance with the above requirements will allow the purchasing agency to exercise the option to purchase at any time a sufficient appropriation for the equipment is available.

Remember, as mentioned above, whether or not the equipment should be bid is based on the original cost of the equipment and is not based on cost less trade-in or on the annual lease rental payment amount.

FILING AND DOCKETING CLAIMS

IC 5-11-10-2 states in part:

- “(a) Claims against a political subdivision of the state must be approved by the officer or person receiving the goods or services, be audited for correctness and approved by the disbursing officer of the political subdivision, and, where applicable, be allowed by the governing body having jurisdiction over allowance of such claims before they are paid. If the claim is against a governmental entity as defined in section 1.6 [IC 5-11-10-1.6] of this chapter, the claim must be certified by the fiscal officer.
- (b) The state board of accounts shall prescribe a form which will permit claims from two (2) or more claimants to be listed on a single document and, when such list is signed by members of the governing body showing the claims and amounts allowed each claimant and the total claimed and allowed as listed on such document, it shall not be necessary for the members to sign each claim.
- (c) Applies to solid waste management districts.
- (d) The form prescribed under this section shall be prepared by or filed with the disbursing officer of the political subdivision together with. . . the supporting invoices or bills...
- (e) Where under any law it is provided that each claim be allowed over the signatures of members of a governing body, or a claim docket or accounts payable voucher register be prepared listing claims to be considered for allowance, the form and procedure prescribed in this section shall be in lieu of the provisions of the other law....”

The State Board of Accounts has prescribed General Form No. 364, Accounts Payable Voucher Register, which shall be prepared by, or filed with the disbursing officer of the city or town, together with the supporting accounts payable voucher, and all such documents shall be carefully preserved by the disbursing officer as a part of the official records of the office.

IC 36-4-8-5(a)(2) applies to cities and IC 36-5-4-4(a)(2) applies to towns. Both statutes require claims to be filed in the manner prescribed by IC 5-11-10-2 at least five (5) days before the meeting of the applicable approving body. However, if the city or town council has passed an ordinance to allow certain claims to be paid by the fiscal officer between board meetings in accordance with IC 36-4-8-14 (cities) or IC 36-5-4-12 (towns), then the five (5) day requirement does not apply for those particular types of claims.

If members of the governing body would rather approve and sign each individual accounts payable voucher in lieu of signing the Allowance of Vouchers section of General Form 364, this procedure is acceptable.

FILING AND DOCKETING CLAIMS (continued)

IC 5-11-10-1.6 states in part:

“(c) The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless:

- (1) there is fully itemized invoice or bill for the claim;
- (2) the invoice or bill is approved by the officer or person receiving the goods and services;
- (3) the invoice or bill is filed with the governmental entity's fiscal officer;
- (4) the fiscal officer audits and certifies before payment that the invoice or bill is true and correct; and
- (5) payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance of payment of the claim...

(d) The fiscal officer of a governmental entity shall issue checks or warrants for claims by the governmental entity that meet all of the requirements of this section. The fiscal officer does not incur personal liability for disbursements:

- (1) processed in accordance with this section; and
- (2) for which funds are appropriated and available.

(e) The certification provided for in subsection (c)(4) must be on a form prescribed by the state board of accounts.”

City and town fiscal officers have the option of certifying either on each Accounts Payable Voucher or by signing the Accounts Payable Voucher Register.

CLAIMS FOR PAYMENTS TO STATE AND FEDERAL AGENCIES

The State Board of Accounts' audit position is that when statutory payments are due to state or federal agencies, there is no requirement for the state or federal agency to file an invoice or claim for such payments. This audit position would include payments for social security obligations, public employees' retirement fund contributions, federal, state, or county taxes withheld, sales tax, gross income tax and other such amounts due state or federal agencies.

The disbursing officer should prepare an accounts payable voucher and attach any copies of payroll deduction reports, federal or state invoices, communications, etc., to document the payment. The accounts payable voucher will provide a posting media indicating to whom paid, fund on which drawn, accounts to be charged, and the approval by the proper boards.

MINIMUM WAGE AND OVERTIME PROVISIONS

Your attorney should be consulted concerning the federal minimum wage and overtime provisions of the Fair Labor Standard Act applicable to cities and towns. The Act generally exempts elected officials and certain management positions from coverage with certain exceptions. However, office personnel, maintenance workers, public safety employees where there are 5 or more employees, and others are all included.

MINIMUM WAGE AND OVERTIME PROVISIONS(continued)

The overtime pay issue has required the State Board of Accounts to prescribe General Form No. 99C, Employee Weekly (work period) Earnings Record, which is designed to meet the record keeping requirements of the minimum wage and overtime provisions of the Fair Labor Standards Act (FLSA). The form should be maintained for employees who are not exempt from FLSA and who are not on a fixed work schedule when the governmental unit pays other than weekly.

Cities and towns should constantly be aware of all of the areas of employment in the city or town where overtime right attaches and establish a system to accurately record hours worked.

PREVAILING WAGES - COMMON CONSTRUCTION WAGE

For any public works project which will cost one hundred fifty thousand dollars (\$150,000) or more, the provisions of IC 5-16-7 must be followed in setting a common construction wage for contractors and subcontractors performing such projects.

HANDLING LAW ENFORCEMENT CONTINUING EDUCATION PROGRAM FEES

1. Each Court is to assess a \$3 law enforcement continuing education program fee in each action in which a defendant is found to have: (1) committed a crime: (2) violated a statute defining an infraction; or (3) violated an ordinance of a municipal corporation. [IC 33-19-6-7(c)]
2. Monthly, a county, city or town court clerk is to transmit the law enforcement continuing education fees collected to the county, city or town fiscal officer. [IC 33-19-5-1, IC 33-19-5-2, IC 33-19-5-3]
3. The fiscal officer shall deposit the fees into either the County User Fee Fund or the City or Town User Fee Fund. [IC 33-19-5-1, IC 33-19-5-2, IC 33-19-5-3]
4. A law enforcement agency may receive funds from a County User Fee Fund or a City or Town User Fee Fund by filing a claim with the county, city or town fiscal officer. The claim shall include a "verified statement" of cause numbers for fees collected that are attributable to the law enforcement efforts of that agency. Payment of the claimed amount from a County User Fee Fund or a City or Town User Fee Fund may be made without appropriation.
5. Claims may be filed as often as monthly but must be filed in the same local fiscal year in which the fees are collected [IC 5-2-8-2(f)]
6. On receipt of the amount claimed by the law enforcement agency, the city or town fiscal officer shall place the amount received into the Local Law Enforcement Continuing Education Fund along with accident report fees, vehicle inspection fees, handgun license fees, handgun transfer fees, and fees received from the disposal of certain confiscated firearms under IC 35-47-3-2. [IC 5-2-8-2(b)]
7. Funds received by a law enforcement agency shall be used for the continuing education and training of law enforcement officers employed by the agency and for equipment and supplies for law enforcement purposes.
8. Amounts claimed for expenditures from the Local Law Enforcement Continuing Education Fund must have been appropriated prior to expenditure either through the normal budget process or by additional appropriation. [IC 33-19-8-4]
9. Any funds remaining in the Local Law Enforcement Continuing Education Fund at year end do not revert.

LAW ENFORCEMENT CONTINUING EDUCATION PROGRAM FEES -
FILING VERIFIED STATEMENTS OF CAUSE NUMBERS

Since the statutes (IC 5-2-8, IC 33-19-8) are silent regarding by whom or in what manner the "verified statement of cause numbers" will be prepared, the State Board of Accounts has adopted the following suggested procedures to handle such filings:

1. The applicable law enforcement agency should prepare the claim. At a minimum, the claim should indicate each fee collected by date of payment, cause number, defendant name, and receipt number if available.
2. The claim should be filed by the law enforcement agency with the fiscal officer of the governmental unit.
3. The fiscal officer shall transmit the claim to the court clerk in order for the claim to be verified.
4. Once the court clerk verifies the fees claimed on the claim, the claim shall be transferred back to the fiscal officer for processing in the same manner as all other claims, i.e. submitted for board approval and subsequent payment.
5. An alternative to steps number 3 and number 4 has been approved for some units. In this instance when the court clerk transmits the monthly collection of law enforcement continuing education fees to the fiscal officer, the court clerk includes a listing of the fees transmitted by date of payment, cause number, defendant name, and the law enforcement agency to which the fees are attributable. By doing this, the fiscal officer is able to verify the fees claimed by the various law enforcement agencies and is not required to go back to the court clerk.

It would also be permissible for the law enforcement agency to attach copy of such listing that is provided by a court to a claim once the law enforcement agency verified the accuracy of the data contained in the listing.

NEW FINANCIAL REPORTING MODEL

The Governmental Accounting Standards Board has recently issued GASB Statement No. 34, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments." GASB Statement No. 34 requires numerous changes and also has various effective dates starting with the 2002 year. GASB Statement No. 34 will impact those governmental units whose financial statements are required to be prepared in accordance with Generally Accepted Accounting Principles (GAAP). Generally, GASB Statement No. 34 will not change the reporting requirements for reports which are prepared in accordance with an Other Comprehensive Basis of Accounting (i.e., cash basis city and town reports).

Any transitions due to format changes in your financial statements required to comply with GASB Statement No. 34 will be made by the State Board of Accounts. The present requirements for your record keeping (cash funds ledgers, cash receipts ledgers, cash disbursements ledgers, general fixed asset account group records, etc.) should be sufficient to allow us to make any necessary changes.